

## **CHAPTER NO. IV**

### **Strength and Weaknesses Of Swami Ramanand Bharati Co-Operative Spinning Mills Ltd, Tasgaon**

#### **Contents**

4.1 Introduction

4.2 Strength of the Spinning Mill

4.3 Weakeness of the Spinning Mill

4.4 Conclusion

## **CHAPTER NO. IV**

### **Strength and Weaknesses Of Swami Ramanand Bharati Co-Operative Spinning Mills Ltd, Tasgaon**

#### **4.1 Introduction**

For the development of rural Maharashtra, Industrial development, increase employment opportunities and to give fair returns to the cotton growers state government of Maharashtra motivated to the rural peoples to start co-operative spinning industry in Maharashtra.

In Sangli district co-operative sugar industry plays a vital role in the development of Sangli district, and provide thousandths of employment opportunities also with competitive price for sugarcane. On the contrary co-operative spinning industry is also play a significant role in the development of Sangli district, which is rural in nature. At present 8 co-operative spinning mills functioning effectively in Sangli district. The spinning mill produces 44 to 52.5 tons of yarn per day and provides thousandths of employment opportunities to rural peoples of Sangli district. Political activists of different political parties start all the co-operative spinning mills without taking into consideration of agro base. All the co-operative spinning mills are started with full of government support. These spinning mills have their own strength and weakness. The success of co-operative spinning industry is the result of its strong pillars of social principles with practical success. The future of co-operative spinning mill depends on understanding this strength and reducing weakness it has developed over the period. The SWOT analysis helps in respect to take balance and practical approach. Strength and weaknesses

of the co-operative spinning mills shows the present scenario and opportunities as well as threats helps to plan for future. These strength and weakness are given below.

## **4.2 THE STRENGTH OF MILL**

### **4.2,1 Government Support**

SRBCOSMLT started with government support only 5% member capital is invested in the mill. Out of remaining capital, 45 % capital is provided by government of Maharashtra. Rs.22, 99,00,000 provided by the government of Maharashtra and remaining capital will be collected from the financial institutions. This is the important strength of the mill it hasn't any type of cost of capital.

### **4.2.2 Good Moral Leadership**

SRBCSMLT has received a good moral leadership of Mr. Adv. R. R. Patil who is former deputy chief Minister of Maharashtra state along with Mr. Rajarambapu Patil are presently Chairman of the spinning mill and Mr. D. V. Mali the Managing Director. The above all the personalities are devotedly working in the spinning mill. Therefore the spinning mill has received various awards from state level institutions.

### **4.2.3 Imported Machinery**

SRBCSMLT installed modern machinery in the plant. The machinery costing Rs. 17,67,37,687 used for production purpose resulted into quality of yarn with uninterrupted production is possible.

#### **4.2.4 Quality of Yarn**

Due to the modern machinery quality yarn is produced in the mill. In this mill the production department follows CITRA norms. Therefore the quality of product is just equal to international market of Yarn.

#### **4.2.5 Export of Yarn**

SRBCSMLT follows CITRA norms for the quality of production. Thus it is competitive quality for export in various countries like Egyptia, Bahrain, Latin America, South Korea, and Turkey etc. Due to the export of yarn there must be balance between demand and supply of yarn and it gives foreign currency to our home country. Therefore they do not any type of fear from private spinning mills.

#### **4.2.6 Democratic Structure**

The co-operative spinning mills structure is based on democratic principles and the members are treated with equal rights and responsibilities. The democratic nature helps in increasing commitments by its members. The capital becomes secondary in controlling the business policy.

#### **4.2.7 Social Commitment**

The profit motive is replaced by social commitment. The social commitment is reflected in its working. The SRBCSMLT deliberately avoid the mal-practices and adulteration or short cut methods to earn excess profit.

#### **4.2.8 Professionalism in Management**

SRBCSMLT adopted tools and techniques of professional management. Therefore the efficiency of management is better. The Managing Director and all the heads of departments are given freedom for decision making in routine matter. Performance appraisal method is

used for evaluation of the work done by the employees and other top-level personals. They made proper production planning to fulfill the order received from domestic and foreign customers. They are having appropriate knowledge of co-operative principles, values, ethics and appropriate training and development of the employees. For the training and development of the workers the mill arranges seminars, lectures to improvement labor efficiency. They do all the things, which are required for professionalism in management. They are also aware about the important asset and liability management, liquidity management, risk management, concept of unit costing, planning and control of financial activities and diversification of business etc.

### **4.3 Weaknesses of the Spinning Mill**

#### **4.3.1 Inadequate Capital**

The most important weaknesses of SRBCSMLT are inadequate capital. The capital requirement of SRBCSMLT is very large. The limited reward on capital acted as a limiting factor for growth of the spinning mill. Presently for utilizing 14,352 spindles the required working capital is near about 5 corers but the spinning mill has only Rs. 1,89,88,464 as a working capital. This situation adversely affect on the day-to-day routine operations of the spinning mill.

#### **4.3.2 Non-availability of Raw Material**

The SRBCSMLT faces the problem of non-availability of raw material in region of Sangli district. The main crop of Sangli district is sugarcane and in Tasgaon it is Grapes. The demand of cotton from spinning mills is 20 to 25 times more than its production in Sangli district. And the quality of cotton available in sangli district is lower because of climatic conditions and range. Therefore the cotton is

purchased from the farmers of Vidharbha, Marathwada and Khandesh at an increased price and the transportation cost is also huge. Due to the long distance. The transportation cost is on an average 17000 rupees for 17000 Kgs. Of cotton. It means Re. 1 for 1 Kgs. Raw cotton. It affect on the cost of production. This circumstance increases the cost of production.

#### **4.3.3 Load shading of Electricity**

The SRBCSMLT faces the problem of inadequate power supply, it affect on productivity of the mill and increases the cost of production. To avoid this, the mill has installed the generator. The generator electricity is costly than MSEDCL because of cost of diesel and its maintenance.

#### **4.3.4 Low Level Human Resource**

The SRBCSMLT possess the low level human resource other than its administrative staff. The Workers available in this region are untrained and unskilled and uneducated due to the non-industrial sector.

#### **4.3.5 Small Business Size**

The scale of the operation is very small of SRBCSMLT. It uses only 56.95 % plants planned capacity. It acts as limiting factor in reaping the benefits of economies of scale. Therefore the spinning mill may not be in a position to compete with multinational with global scale of production.

#### **4.4 Conclusion**

At the end after analyzing the strength and weaknesses of the spinning mill, the Strength provides opportunities and weaknesses provide the threats. The opportunities are growing market of cloth; Diversification of business activities from ginning, pressing, weaving, and readymade garmenting is possible to the SRBCSMLT. It provides another thousandth of employment opportunities to the peoples of the

Tasgaon region, which is drastic area in Sangli district. It is also useful for the value addition. The important threat is the competition and globalization. In the global scenario China and other "predatory " exports are providing their home-based companies with \$ 428 billion in advantages through the use of subsidies, value added tax rebates and currency manipulation. Therefore the US textile production declined by 60 % since 1994, besides the American textile industry is not labor intensive but it is fully automated, capital intensive and engineering driven. In this scenario developing country like India and Indian textile manufacturers and co-operative spinning sector will adversely affect, due to the labor-intensive technique and modern technology gap.

## **Chapter No.V**

### **Analytical Study of Financial management of Swami Ramanand Bharti Co-Operative spinning mills Ltd.,Tasgaon.**

#### **Contents**

- 5.1 Introduction
- 5.2 Financial Statement Analysis
- 5.3 Registration of the Mill
- 5.4 Sales Position
- 5.5 Profit Position (Net Working Results)
- 5.6 Capacity Utilization
- 5.7 Average Spindle Utilization
- 5.8 Working Capital Management
- 5.9 Production Performance
- 5.10 Electricity Consumption
- 5.11 Capital Strucure
- 5.12 Weighted Average Cost of Capital
- 5.13 Hank Yarn Obligation
- 5.14 Inter-firm Comparison
- 5,15 Government Schemes for Spinning Co-operatives
- 5.16 Awards and Rewards
- 5.17 Liquidity Position



## **Chapter No.V**

### **Analytical Study of Financial management of Swami Ramanand Bharti Co-Operative spinning mills Ltd.,Tasgaon.**

#### **5.1 INTRODUCTION**

The present chapter analyzes the financial performance of Swami Ramanand Bharati co-operative Spinning mills Ltd, Tasgaon. With the help of financial statement analysis, ratio analysis and inter firm comparison with one top level co-operative spinning mill such as Sagreshwar Co-operative spinning mills ltd Kadepur.

The following trends in respect of Swami Ramanand Bharati Co-operative spinning mills Ltd Tasgaon over the study period have been analyzed.

- 1) Financial statement analysis
- 2) Key Result Areas analysis- Production, Sales, Profit position
- 3) Capacity Utilization
- 4) Working Capital Management
- 5) Electricity consumption
- 6) Capital structure
- 7) Hank Yarn Obligation
- 8) Inter-firm comparison
- 9) Government Schemes for spinning co-operative
- 10) Liquidity position

The financial data used for working out trends has been elicited from the balance sheet and profit and loss account of these mill for the

years 2006-2007 and 2007-2008, because of the mill is registered on 2<sup>nd</sup> April 1992, and actual production started from 1<sup>st</sup> June 2006 and the personal discussions with Managing Director other top level personals, personal Observations and questionary method was adopted for the collection of data.

## **5.2 Financial Statement Analysis**

As previously stated in chapter no. three financial statements are those statements, which contains financial data, which is useful to interested parties such as shareholders, investors, creditors, government etc. The following statements are prepared by SRBCSMLT.

### **5.2.1 Manufacturing Account-**

Manufacturing account contains the information about opening stock, closing stock and manufacturing expenses. The main object of the preparation of manufacturing account is to find out production value.

### **5.2.2 Trading Account-**

Trading account contains the information of about opening stock of work in process, closing stock of work in process, sales and production value. The main object of the preparation of trading account is to find out trading profit or gross profit.

### **5.2.3 Profit and Loss Account-**

Profit and loss account contains the information of about incomes and expenses. The main object of the preparation of profit and loss account is to find out net profit earned or net loss suffered during a specific period.

#### 5.3.4 Balance Sheet-

Balance sheet contains the information of about assets and liabilities. Balance sheet shows the financial position of the firm. These statements of SRBCSMLT is as follows:

**Balance Sheet as on 31<sup>st</sup> March 2007 and 2008**

Liabilities	2006-07	2007-08	Assets	2006-07	2007-08
Authorized Share Capital	26000000	26000000	Cash & Bank Balance	6373474	7945843
Paid-up Share Capital	240188000	240224000	Investment	27047572	5480572
Share Amount	15927162	15927162	Advances & Others Current Assets (Excluding stock)	18464340	17979748
Reserve & Surplus	13361455	20794111	Closing Stock	16516967	18932829
Nominal Member Fees	25	95	Fixed Assets	223721575	335614653
Loans	6053594	73179300	Preoperative Expenses	55856	33514
Deposits	83960	3278460			
Current & Other Liabilities	14096124	23853353			
Net Profit	2469466	8730677			
	<u>292179784</u>	<u>385987158</u>		<u>292179784</u>	<u>385987158</u>

**Manufacturing Account**  
**For the year ended 31<sup>st</sup> March 2007 and 2008**

Particulars	2006-07	2007-08	Particulars	2006-07	2007-08
<u>Opening</u>	NIL	13421429	<u>Closing</u>	13421429	12152486
<u>Stock</u>			<u>Stock</u>		
Cotton stock			Cotton		
Cotton in			stock		
Process			Cotton in		
Yarn in			Process		
Process			Yarn in		
			Process		
Cotton	67948921	126609758	Production	72390057	162862142
Purchase			Value		
Brokerage on	40168	Nil			
Cotton					
purchase					
Processing	Nil	835449			
Exp. on raw					
cotton					
Manufacturing	17822397	34147992			
Expenses					
	<u>85811486</u>	<u>175014628</u>		<u>85811486</u>	<u>175014628</u>

## TRADING ACCOUNT

For the year ended 31<sup>st</sup> March 2007 and 2008

Particulars	2006-07	2007-08	Particulars	2006-07	2007-08
Opening Stock	Nil	2483727	Sales	90214986	186727757
Production Value	72390057	162862142	Closing Stock	2483727	5417489
Yarn Sale Expenses	1120835	1803566			
Cotton seed sale exp.		42425			
Hank Yarn Obligation	162481	155778			
Charges					
Trading Profit	19025340	24797608			
	<u>92698713</u>	<u>192145246</u>		<u>92698713</u>	<u>192145246</u>

## PROFIT & LOSS ACCOUNT

**For the year ended 31st March 2007 and 2008**

Particulars	2006-07	2007-08	Particulars	2006-07	2007-08
Administrative Expenses	3622429	10337515	Trading Profit	19025340	24797608
Factory Overheads	1234279	1655674	Interest Received	173012	580204
Dep.	12808890	7432476	Other Income	936712	309065
Net Profit	2469466	6261212			
	<u>20135064</u>	<u>25686877</u>		<u>20135064</u>	<u>25686877</u>

## Vertical Analysis of Profit And Loss Account

**For the year ended 31st March 2007 & 2008**

Table No.5.1

Particulars	2006-07	2007-08
Sales (Sales include Yarn sales, Hard waste, Cotton waste & Cotton seed sale)	90214986	186727757
Less- Cost of Goods Sold	71189646	161930149
GROSS PROFIT	19025340	24797608
Less- Operating Expenses	16492976	13554093
OPERATING PROFIT	2532364	11243515
Less- Non Op. Expenses (Interest on loan)	1172622	5871572
	1359742	5371943
Add- Non Op. Income	1109724	889269
NET PROFIT	2469466	6261212

## VERTICAL ANALYSIS OF BALANCE SHEET

As on 31st March 2007 & 2008

Table No.5.2

Particulars	2006-07		2007-08	
Shareholders funds	240188000		240224000	
Share Amount	15927162		15927162	
Reserve & Surplus	13361455		20794111	
Nominal Member fees	25		95	
Profit & Loss A/c	2469466		8730677	
	271946108		285676045	
Less- Preoperative Expenses	55856		33514	
SHAREHOLDERS FUNDS		271890252		285642531
Add- Long Term Liabilities				
Loans			65852135	
Deposits			3194500	69046635
NET CAPITAL EMPLOYED		<u>271890252</u>		<u>354689166</u>
This is represented by				
A) Fixed Assets		223721575		335614653
Investment (Long term)		86050		86050
B) Working Capital		48082624		48082624
I) <u>Current Assets</u>				
Cash & Bank Balance	6373474		7945843	



Investment (short term)	26961522		5394522	
Adv. & other receivables	18464340		17979748	
Closing Stock	16516967		18932829	
Total Current Assets	68316303		50252942	
<u>II) Current Liabilities</u>				
Hypotication Loan	6053595		7327165	
Tender deposits	83960		83960	
Current Liab. & Other dues	14096124		23853353	
Total Current Liab.	20233679		31264478	
		<u>271890249</u>		<u>354689166</u>

From the table no.5.2 the total capital employed in the SRBCSMLT in the year 2007-08 is 354689166. And this is represented by

- 1) Fixed assets Rs. 335614653
- 2) Investment Rs. 86050
- 3) Working Capital Rs. 48082624

### 5.3 Registration of the Mill

Swami Ramanand Bharati Co-operative Spinning Mills Ltd., Tasgaon has been registered in 2<sup>nd</sup> April 1992 & actual production started from 1<sup>st</sup> June 2006 the following table shows how much period incurred for productive business unit. This period increased the cost of capital expenditure. In short SRBCSMLT had not considered the time value of money.

Table No.5.3

Date of Registration	Date of actual production started	Difference
2 /4 /1992	1 /6 /2006	14 Years

### 5.4 SALES POSITION

In the year 2006-07 when production started SRBCSMLT 's sales position shows tremendous growth. The following table shows sales position.

Table No.5.4

Sr. No.	Year	Sales (Rs.)	Growth %
01	2006-07	9,12,14,986	100
02	2007-08	18,67,27,757	204.71

## 5.5 PROFIT POSITION

Year 2006-07 is first year of production. In this successive year SRBCSMLT 's has earned profit & this is repeated again in the year 2007-08. The following table shows the profit position.

Table No.5.5

Sr. No.	Year	Profit	Growth %
01	2006-07	2469466	100
02	2007-08	6261212	253.55

The above table shows tremendous growth in profit in the year 2007-08 as compared to 2006-07. The total accumulated profits are Rs.8730678.

## 5.6 Capacity Utilization.

Table No.5.6

Sr. No.	Year	Plant capacity	Actual capacity installed	Capacity Utilization %
01	2006-07	25200	6624	26.58 %
02	2007-08	25200	14352	56.95

The present total capacity of the plant is 25200 spindles. But SRBCSMLT has started their production with 6624 spindles in 2006-07. In the year 2007-08 the installed spindles are 14352. The percentage of capacity utilization is 26.58% and 56.95% respectively in last two years. It shows increasing trend in capacity utilization but less than plants capacity.

### 5.7 Average spindle utilization.

Presently SRBCSMLT has produces yarn with 14352 spindles. The following table shows average spindle utilization.

Table No.5.7

Year	CITRA NORMS for spindle utilization	Actual average utilization per spindle	Variance
2006-07	98 %	93.55%	4.45
2007-08	98%	93.55%	4.45

from the above table the mill utilizes 4.45% under utilization as compared to CITRA norms.

### 5.8 Working Capital management of SRBCSMT.

Working capital is the amount of difference between Current Assets and Current Liabilities. The following statement shows working capital position of the SRBCSMLT.

### Statement showing Working Capital

Table No.5.8

Particulars	2006-07		2007-08	
<u>I) Current Assets</u>				
Cash & Bank Balance	6373474		7945843	
Investment (short term)	26961522		5394522	
Adv. & other receivables	18464340		17979748	
Closing Stock	16516967		18932829	
Total Current Assets	68316303		50252942	
<u>II) Current Liabilities</u>				
Hypotication Loan	6053595		7327165	
Tender deposits	83960		83960	
Current Liab. & Other dues	14096124		23853353	
Total Current Liab.	20233679		31264478	
Working Capital (I - II)		48082624		18988464

From the above table, it is clear that the amount of working capital in year 2006-07 is Rs.48082624 and in the year 2007-08 it is only Rs.18988464. It is very insufficient because of need of working capital for the utilization of 14352 spindles is near about 5 cores. The existing working capital sources are as under-

1. Profit of the previous year (accumulated profit).
2. Reserves and Surplus.
3. Trade credit.
4. Hypotication loan.

5. Tender deposits are used as a source of working capital.

### 5.9 Production Performance

Production of yarn is a prime activity of SRBCSMLT. Production on the yarn requirements of weavers, those are domestic and foreign. As per the instructions of purchasers the mill manufactured following range of yarn product.

1. 27 Count

2. 30 Count

3. 32 Count

5. 34 Count carded warp is produced in mill for the domestic and export sales.

An efficient mill would be maintaining higher production in quantity at the lowest cost of production as much as possible. The Production performance of the mill both in terms of quantity and value was compared with that of the average of SRBCSMLT shows drastic picture. The ideal way of cutting cost is maximum capacity utilization coupled with production of superior quality. But the mill experienced with lower capacity utilization but the mill produces quality of yarn. Low utilization will result into an increasing trend in the cost of production. The following table shows the production scenario of the spinning mill.

Table No.5.9

Year	Production in Kgs.	Growth
2006-07	928386	100%
2007-08	1652836	178%

From the above table it clear that production performance shows increasing trend in the 2007-08 as compared to 2006-07 due to increased capacity of the plant.

### 5.10 Electricity Consumption

Electricity consumption is one of the important expenditure in case of spinning mills. The following table shows the total electricity consumption and units.

Table No.5.10

Year	Total Electricity cost Rs.	Total Units Consumed	Per Unit Rate of Electricity
2006-07	12501115	2742534	4.56
2007-08	21214730	5229720	4.05

From the above table it is clear that the electricity consumption has been increased in the year 2007-08 as compared to 2006-07 due to increased production. Saving of electricity is vital option to reduce the cost of production. The decreasing rate of electricity shows efficient utilization of power supply. In the per unit rate of electricity is 4.56 in the year 2006-07 and in the year 2007-08 it is 4.05, it shows the decreasing trend.

### 5.11 Capital Structure.

Effective procurement of funds and their proper utilization warrants proper financial planning and control. As capital is lifeblood of SRBCSMLT but it is highly scare scientific application in this regard is required. Their capital structure is composed of owned funds and borrowed funds. Owned fund include equity and reserves. A major portion of equity comes form state Government and reserve are the amount of profit earned previously by SRBCSMT. Borrowed capital

consists of long-term loans and deposits from lending organization and individual respectively and the working capital form concerned DCCB's and other financial institutions or banks. The following table shows the capital structure of SRBCSMLT in the year 2007-08.

Table No.5.11

Sr. No.	Particulars	Owened Funds	Borrowed Funds	Total
1	Shareholder's funds	24,02,24,000		24,02,24,000
2	Share Anamat	1,59,27,162		1,59,27,162
3	Reserve & Surplus	2,07,94,111		2,07,94,111
4	Nominal mem. Fees	95		95
5	Profit & Loss A/c	87,30,677		87,30,677
6	Loans		7,31,79,300	7,31,79,300
7	Deposits		32,78,460	32,78,460
	Total	28,56,76,045	7,64,57,760	36,21,33,805

From the above table it is clear that the total capital raised from various sources is Rs.36, 21,33,805. Out of them Rs.26, 56,76,045 are owned funds which did not have any cost of capital because of at present SRBCSMT has not distributed any amount in the form of dividend, and remaining Rs 76457760 is the borrowed capital having interest and it is the cost of capital this is explained below:



Table No.5.12

Sr. No.	Particulars	Amount Rs.	Rate of interest cost of capital.
1	Medium term loan	6,58,52,135	13.5 %
2	Hypotication loan from IDBI	73,27,165	13.0 %
3	Tender Deposits	83,960	Nil
4	Term Deposits	31,94,500	12.0 %
	Total	7,64,57,760	

### 5.12 Weighted average cost of loaned capital is calculated as under:

Table No.5.13

Sr. No	Particulars	Amount W	Cost of Capital X	Amount*Cost of capital WX
1	Shareholder's funds	24,02,24,000	Nil	Nil
2	Share Anamat	1,59,27,162	Nil	Nil
3	Reserve & Surplus	2,07,94,111	Nil	Nil
4	Nominalmem. Fees	95	Nil	Nil
5	Profit & Loss A/c	87,30,677	Nil	Nil
1	Medium term loan	6,58,52,135	13.5 %	<b>889003822.5</b>
2	Hypotication loan from IDBI	73,27,165	13.0 %	<b>952531.45</b>
3	Tender Deposits	83,960	Nil	<b>Nil</b>
4	Term Deposits	31,94,500	12.0	<b>383340.00</b>
	Total	362,133,805		890339693.95

$$\begin{aligned}
 \text{Weighted Average Cost} &= \sum WX / \sum W \\
 &= 890339693.95 / 3621333805 \\
 &= 2.46 \%
 \end{aligned}$$

### Calculation of Return on Net Capital employed

$$\begin{aligned}
 \text{Return on Net Capital Employed} &= \text{Profit after tax but before interest} / \text{Net Capital Employed} \times 100 \\
 &= 6261211 + 5871572 / 362133805 \times 100 \\
 &= 3.35\%
 \end{aligned}$$

It means from the above calculation it is clear that the overall cost of capital is 2.46%. After comparing it into return on net capital employed, it shows the favorable scene. The return on Net Capital Employed ratio is 3.35 %. It means at present the capital structure is not wrong because of cost of capital is less than return on capital employed. Under the TUFS scheme SRBCMLT has received Rs5000000 as Interest subsidy. Under this scheme if the prompt payment of interest and loan installment is made, 4 % interest subsidy is given to spinning mills. It means the cost of capital of medium term loan is only 9 %.

### 5.13 Hank Yarn Obligation

Hank yarn obligation is an obligation, which is imposed by Government to improve the handlooms in the country or to provide financial assistance to handlooms. The Co-operative spinning mills produce 40 % hank yarn of the total production. It is one type of legal

compulsion of Government. The following table shows the hank yarn obligation.

Table No.5.14

Sr.No	Year	Hank Yarn Obligation Charges in Rs.
1	2006-2007	162481
2	2007-2008	155778

The above table shows the increasing trend in Hank Yarn Obligation. This has creates the loss to the spinning mill

#### 5.14 Inter firm comparison

The present item analyzes the financial performance of one selected top co-operative spinning mill in Sangli district with SRBCSMLT, with the help of inter-firm comparison.

Table No.5.15

Sr. No	Particulars	SCSMLK	SRBCSMLT
1	Planned spindles	25,200	25,200
2	Installed spindles	24,332	14,200
3	Operating Days	348	362
4	Average Spindle Operating Efficiency	86 %	93.55 %
5	Per Spindle Yarn Production	165.52 grams	162.31 grams
6	Total Production of yarn	3828292.32 Kgs.	1901284 Kgs.
7	Sale of Yarn (in Rs.)	3683.97 lakhs	1777.60 lakhs
8	Gross Profit	370.95 lakhs	247.97 lakhs
9	Total Accumulated profits	52.75 lakhs	8.73 lakhs

10	Total No of workers	459	350
11	Total Electricity Consumption	54023213	5229720
12	Per Unit Rate of Electricity	4.32	4.05
13	Working Capital	170.05 lakhs	18988464
14	Current Ratio	1.0: 0.88	1.61:1

After analyzing the above data it is clear that in case of both the firms projected or planned spindle capacity is same i.e. 25200 spindles.

But the installed spindles in SCSMLK are 24332 and SRBCSMLT's 14352. It means that SCSMILK utilizes 96.55% and SRBCSMLT utilizes 56.95% planned spindle capacity.

In case of operating days SCSMILK utilizes 14 more days as compared to SRBCSMLT.

Average spindle operating in case of SRBCSMLT has utilized 93.55% as compare to SCSMLK i.e. 86%. The 7.55% more average utilization held in SRBCSMLT. This is good sign and it shows efficient utilization of existing capacity.

After analyzing Yarn production, sale of Yarn, gross profit and net profit, it is clear that SCSMLK has utilize 96.55% plant planned or projected capacity and therefore production of Yarn, sale of Yarn, gross profit and net profit are higher than of SRBCSMLT, due to this utilization the manufacturing and administrative cost is reduced in case of SCSMLK as compare to SRBCSMLT.

After comparing labor cost and labor turnover, it is clear that for 96.55% planned capacity utilization, the labor and administrative staff in SCSMLK is 459 and in SRBCSMLT possess 350 workers for the 56.95%

plants planned capacity utilization. It means that only 109 workers and administrative staff are sufficient for the utilization of 100% plants planned capacity of SRBCSMLT.

In case of electricity consumption, the electricity tariff of SCSMLK is high as compare to SRBCSMLT. And the per unit electricity consumption is also low as compare to SCSMLK. In case of SRBCSMLT it is 4.05 this is 0.27 paise low than SCSMLK It greatly affect on the profitability of the firm.

And lastly the Current Ratio and Debt Equity Ratio of the both the firms below than its ideal proportion or its standard.

### **5.15 Government Schemes for Spinning Co-operatives.**

For the rural industrial development, to provide employment opportunities to rural peoples, to provide benefits to cotton growers and weavers, Government of Maharashtra encourages, impels and motivates the rural activists to start Co-operative spinning in Maharashtra a movement, which is Government initiated.

At Present in Maharashtra out of 123 spinning mills 36 spinning mills are closed or liquated whereas 54 spinning mills are actually in production and 34 spinning mills are under construction. Presently Government has invested 114.00 corers.

Today 11.08 lakhs of spindles and 5304 rotors are in production process in the effectively operating Co-operative spinning mills in Maharashtra.

The total turnover of Spinning Co-operative industry in Maharashtra is 1000 corers per year and produces 1300 lakhs kgs. Of Yarn and pays 200 corers as a tax to Central and State Government and

near about lacks of peoples getting employed in spinning Co-operative sector.

For the development of Co-operative spinning mills Government has provide following incentive schemes-

#### **5.15.1 Schemes of Government**

Table No.5.16

Sr. No.	Schemes of Government	Proportion of financial aid
1	New Co-operative Spinning Mills (Open category)	1) 5% Member Capital 2) 45% Govt. Capital 3) 50% Loans from financial institutions
2	For modernization and expansion of old Co-operative Spinning Mills	1) 10% Member Capital 2) 30% Govt. Capital 3) 60% Loan from NCDC through State Government
3	Rehabilitation loan	100% loan (Rate of interest 13% period of payment for 5 years)
4	Backward Co-operative Spinning Mills	1) 5% Member Capital (Share price of Rs.2000, out of Rs.2000, Rs.200 paid by member and Rs. 1800 is Govt. grant. 2) 45% Govt. Capital 3) 50% loan for State Govt.

5	Adivasee Co-operative Spinning Mills	1) 5% Member Capital (Share price of Rs.2000, out of Rs.2000, Rs.1000 paid by member and Rs. 1000 is Govt. grant. 2) 45% Govt. Capital 3) 50% loan for State Govt.
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### **5.15.2 Value Added Projects**

Under the TUFS schemes for the purchase of ginning machinery Government gives Rs.20 lacks as a subsidy.

For the modernization of ginning and pressing for the purchase of laboratory instruments, Government issues a subsidy of Rs. 4 Lakhs.

### **5.15.3 Exemption of Electricity duty**

Eligible new units C, D and D+ areas and no industry districts will be exempted from payment of electricity duty for a period of 15 years.

### **5.15.4 Waiver of Stamp Duty**

New as well as units under taking expansion/diversification will be exempted from the payment of stamp duty up to 31st March 2011 in C, D, D+ talukas and no industry districts.

### **5.15.5 Refund of octroi, entry tax in lieu of octroi**

An eligible unit after it goes into commercial production will be entitle to refund of octroi duty which is paid to local authority on import of all items required by the eligible unit for the period of 15 years.

### **5.15.6 Special incentives for units coming up in low human development index districts.**

The eligible new units setting up facilities in notified districts and employing at least 75% local persons as defined in the employment of local persons policy will be offered 75% reimbursement of expenditure on account of contributions towards Employees State Insurance (ESI) and Employees Provident Fund (EPF) scheme for a periods of 5 years.

#### **5.15.7 Cotton Development Scheme**

Under this scheme NCDC New Delhi issues grant of Rs. 100 Lakhs to the spinning mills of Cotton growers.

#### **5.15.8 Technology mission of cotton**

Under the TUFS schemes for the purchase of ginning machinery Government gives Rs.20 lacks as a subsidy.

For the modernization of ginning and pressing for the purchase of laboratory instruments, Government issues a subsidy of Rs. 4 Lakhs.

#### **5.15.9 TUFS Scheme**

Under this scheme Government gives 4% concession in interest payable.

#### **5.15.10 Duty drawback Scheme**

Under this scheme 6% duty drawback is given to the exported Yarn.

#### **5.16 Awards and Rewards**

- 1) In the year 2007-08 SRBCSMLT received a award for better performance initial year.
- 2) SRBCSMLT received a third prize from All India Spinning Federation for per spindle cash profit in the year 2007-08.
- 3) Certificate of appreciation for the contribution per installed spindle.



- 4) Certificate of appreciation for the accumulated cash profits.
- 5) Received a second award from Maharashtra State Cotton Federation for M.P.I. & P. I.

### 5.17 Liquidity position of SRBCSMLT

Liquidity refers to the ability of the concern to meet its current obligation as and when those become due. If current assets can pay of current liabilities, then the liquidity position is considered to be satisfactory and if it is not so, the position is not satisfactory. The liquidity position of SRBCSMLT will be found out by calculating Current Ratio, Liquid ratio, Inventory to Sales ratio, Working Capital Turnover Ratio and Current Assets to Sales Ratio.

Selected Liquidity Ratio of SRBCSMLT for the year 2006- 2007 & 2007- 2008 is listed below.

Table No.5.17

Sr. No	Particulars	2006- 2007	2007-2008
1	Current Ratio	3.38: 1	1.61: 1
2	Liquid Ratio	2.56: 1	1.0: 1
3	Inventory Turnover Ratio	4.31 Times	9.13 Times
4	Working Capital Turnover Ratio	1.48 Times	8.52 Times
5	Current Assets to Sales Ratio	1.34 Times	3.71 Times

#### 5.17.1 CURRENT RATIO

The ratio calculated by dividing Current Assets by Current Liabilities. Current assets means all those assets which are converted into cash within one year, such as marketable securities, debtors, stock, cash, bank and prepaid expenses. Current liabilities include the obligation maturing within the year like creditors, bills payables, outstanding

expenses, and bank overdraft and tax liability. The current ratio thus a measure of the firm's short-term solvency. It indicates the availability of current assets in rupee for every one rupee of current liabilities. Ratio of greater than one means that the firm has more current assets than current claims against it. The ideal current ratio is 2: 1 in normal condition.

As per table no.5.17 the Current ratio of SRBCSMLT is in the year 2006-07 & in the year 2007-08 is 3.38:1 & 1.61: 1 respectively. In the year 2007-08 it is below the ideal standard of 2:1.

### **5.17.2 LIQUID RATIO**

Quick ratio also known as acid test ratio or liquid ratio is more vigorous test to liquidity than the current ratio. Quick ratio may be defined as the relationship between quick current assets and current or liquid liabilities. An asset is said to be liquid if it can be converted in to cash within a short period without loss of value. In that sense cash in hand and at bank are the most liquid assets, the ideal liquid ratio is 1: 1.

As per table no.5.17 the Acid test ratio is found satisfactory. In the year 2006-07, the ratio was 2.56:1 and in the year 2007-08 it is near about 1:1 it is just equal to its ideal proportion.

### **5.17.3 INVENTORY TO SALES RATIO**

Inventory to sales ratio establishes relationship between the costs of goods sold to average stock. This ratio measures the velocity of conversion of stock into sales. Usually a high turnover indicates efficient management of inventory because more frequently the stocks are sold; the lesser amount of money is required to finish the inventory. A low inventory turnover indicates an inefficient management of inventory,

sluggish business, poor quality of goods and lower profit as compared to total investment.

As per table no.5.17 the Inventory turnover ratio in the year 2006-07 is 4.31 times and in the year 2007-08 is 9.13 times. There was a rise in the percentage of inventory turnover ratio.

#### **5.17.4 WORKING CAPITAL TURNOVER RATIO**

Working capital of a concern is directly related to sales or cost of goods sold. The current assets like debtors, bills receivables, cash, bank and stock is change with increase or decrease in sales. The working capital is taken as current assets minus current liabilities. This ratio measures the efficiency with which the working capital is being used by a firm. A high ratio indicates efficient utilization of working capital and a low indicates otherwise.

The working capital turnover ratio of SRBCSMLT shows a very good position. In the year 2006-07 it is only 1.48 times and in 2007-08 it is 8.52 times, it is tremendously increased in 2007-08.

#### **5.17.5 CURRENT ASSETS TO SALES RATIO**

This ratio indicates the efficiency with which working capital turns into sales. A lower ratio implies by and large a more efficient use of funds. A high turnover rate indicates reduced lock up of funds in working capital. An analysis of current assets to sales ratio over a period of time shows the overall efficiency of working capital management of a firm.

Table no.5.17 indicates a increasing trend of current assets to sales ratio. It was highest in 2007-08 as compared to 2006-07.